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SIPDIS

DEPARTMENT FOR ISN/CTR

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SUBJECT: ISTC GOVERNING BOARD IN MOSCOW APPROVES STATEMENT ON
TRANSFORMATION, GETS VERBAL ASSURANCE ON TAXATION

¶1. SUMMARY: At the International Science and Technology Center (ISTC) Coordinating Committee (CC), Roundtable, and Governing Board (GB) meetings held December 9-11, 2008, the GB agreed on a Statement of Principles on Transformation and called for Russia to confirm the ISTC's tax-exempt status. The Russian Party orally reaffirmed that status and said that MFA would take action in case of violations. The GB also jointly funded three institute self-sustainability plans, and added funds to one existing plan, at priority scientific institutes. The U.S. Party encouraged expeditious approval of the nominee for the position of U.S. Deputy Executive Director. The U.S. Party also held bilateral meetings with senior officials from the Russian Academy of Sciences, state nuclear power corporation Rosatom, and state nanotechnology corporation Rosnano on the future of the ISTC. The MFA representative at the GB said that the United States and Russia would still need to discuss the details of ISTC transformation in a bilateral forum. END SUMMARY.

¶2. A U.S. delegation led by ISN/CTR Director Matthias Mitman and including Department, DOE, and Embassy officials attended the ISTC Coordinating Committee, Roundtable, and Governing Board meetings in Moscow December 9-11, 2008. U.S. GB member Victor Alessi and GB Chairman Ronald Lehman participated in the meetings and some of the U.S. delegation's bilateral meetings with Russian officials.

¶3. Transformation: At the roundtable, the U.S. Party proposed language on the transformation of the ISTC for the GB Record of Decisions. The Russian Party said that the original mission of redirecting former weapons scientists had been accomplished, and a consensus was reached on this point. The Japanese Party successfully proposed a change in the text to delete the term "counterterrorism," stating that the text's inclusion of "the area of nonproliferation" covered such topics as engagement of WMD experts to reduce the risk of onward proliferation to a terrorist organization or proliferant state, while still permitting projects on counterterrorism. The GB members agreed to the following Statement on Transformation Principles to be included in the GB Record of Decisions: "The ISTC Governing Board members recognized the success of the ISTC's initial mission of providing economic support for the scientific community during the transition from the former Soviet Union. Further, the ISTC Governing Board members decided to take measures through joint efforts to transform the ISTC

into a smaller, more efficient organization that achieves our shared global goals of cooperation on science and technology, including in the area of nonproliferation."

¶4. Taxation: The U.S. and other Parties noted the uncertainty created by Russian Government Decree No. 485 about the tax-exempt status of ISTC grants. The parties to the ISTC Agreement - Canada, the United States, the European Union, and Japan - reiterated that this decree does not apply to the ISTC because the Center is an intergovernmental organization. The Governing Board requested clarification in letters to Russian government officials of the tax-exempt status of ISTC grants. The Russian Party (MFA) responded that there had been no violations of the tax-exempt status of ISTC grants, and that the MFA would take action if any violations occurred in the future. The Russian Party encouraged the ISTC to wait for a response from the Russian tax authorities.

¶5. Institute Self-Sustainability: The funding parties agreed to fund institute self-sustainability plans at three priority institutes: the Institute of Physics and Power Engineering (IPPE) in Obninsk, the Institute of Nuclear Physics (INP) in the National Nuclear Center in Kazakhstan, and the Research Institute of Pulse Technique (NIIIT) in Moscow. The EU and Canadian Parties also decided to add funds to an institute self-sustainability plan at the Khlopin Radium Institute (KRI), which was funded at the previous GB meeting.

¶6. U.S. Deputy Executive Director Nomination Approval: The U.S. Party urged the Russian Party at both a bilateral meeting with Rosatom and at the GB meetings to approve the nomination of Michael Einik to the U.S. Deputy Executive Director position at the ISTC.

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The Russian Party said that it did not anticipate any problems with the nomination, which should be approved by January 1, 2009.

¶7. Russian MFA Perspective on Transformation: On the margins of the CC meeting, MFA representative Andrey Krutskikh explained that the United States and Russia would still need to discuss the details of transforming the ISTC in a bilateral forum. Separately, Russian GB member Lev Ryabev of Rosatom encouraged the U.S. to present Russia with a paper on its view of how the ISTC should be transformed, and he agreed that Russia would do the same.

¶8. Next GB Meeting: The next GB meeting is planned for March 2009 in Moscow, and all parties agreed that, per the tradition of holding one GB per year in a CIS country, Belarus would host the summer GB meeting in Minsk. A proposal by the Canadian Party to reduce GB meetings from three to two times per year was deferred for decision at a later date. In addition, the GB agreed that the Secretariat would work with the GB members to determine the appropriate number of GB and other meetings per year, as well as funding cycles, for 2010 and beyond.

Bilateral Meetings

¶9. Bilateral Meeting with the Russian Academy of Sciences (RAS): On December 10, the U.S. delegation and the ISTC GB Chairman met with Nikolay Laverov, Vice President of RAS, Boris Myasoyedov, Deputy Secretary General for Science, and Yuri Shiyan, Head of the International Relations Department. Laverov stressed the importance of using the ISTC to preserve Russian science and technology. Calling ISTC the best forum for international cooperation, bar none, in his twenty years of leading RAS international relations, Laverov stated that those who criticize ISTC have not been involved in either science or ISTC. Although there should be no doubt about the value of ISTC in the past, the issue is how to keep ISTC afloat. RAS, Laverov continued, did not agree with the position of some entities that ISTC should stop its work. Instead, the mission of redirecting Russian weapons scientists should be taken out of the charter and ISTC's future work should focus on using its substantial experience to organize joint research on issues of global significance. RAS has been allocated federal funding to work in priority areas that would enable it to work on climate change, energy, biomedicine, environment, and natural disasters.

¶10. On the issue of the Russian lead agency for the ISTC, Laverov noted that while Rosatom has been designated as the interim lead of the Russian Party, his personal opinion is that RAS and the state corporation Rostekhnologii should jointly lead as the Russian Party.

He explained that Rostekhnologii had funding which he believed could be used to fund projects at the ISTC. (Note: Rostekhnologii was established in 2007 with the mission "to promote the development, production, and export of high-technology products." It is a conglomerate of more than 100 entities, most of them military suppliers. It is headed by a close associate of Prime Minister Putin, Sergei Chemezov, who formerly headed the weapons export corporation Rosoboronexport. Rostekhnologii is not associated with nuclear, chemical or biological nonproliferation programs. End Note)

¶11. Bilateral Meeting with Rosatom: On December 10, Russian GB member Lev Ryabev echoed RAS Vice President Laverov's comments. Russian agencies are unanimous that ISTC has had a positive role in fulfilling its mission. But they are also unanimous that some parts of ISTC's charter are out of date. For example, there is no longer a proliferation threat within Russia. Some political institutions, he explained, have a negative reaction to this language in ISTC's charter. Ryabev expressed concern that the ISTC continues to be used to address funding parties' proliferation concerns in Russia. The U.S. delegates acknowledged that the original mission of redirecting Russian former weapons scientists largely has been completed. Ryabev also explained that the Russian interagency is

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still determining its position on the details of how it would like to see the ISTC transformed, and that the process could take another three months. He conceded that changes in ISTC's mission can be made by amending the existing founding documents, rather than reconstituting them. Ryabev suggested that the U.S. Party review the ISTC Charter line-by-line and note which elements could remain, and which should be changed. He urged that we find areas of mutual interest so that the experience gained over the past 15 years is not lost.

¶12. Bilateral Meeting with Rosnano: The U.S. delegation and the ISTC Acting U.S. Deputy Executive Director Tim Murray met with Sergey Mostinsky, Director for International Cooperation at state nanotechnology corporation Rosnano, and with Rosnano Senior Advisor Vladislav Chernov, to explore possible mechanisms for Rosnano to fund commercialization of ISTC nanotechnology projects. Murray noted that ISTC proposals are pre-approved by host states and funding parties, and that the proposals receive multilateral scientific reviews. Murray gave an overview of two proposals already submitted to Rosnano for funding. Mostinsky suggested a joint workshop with the ISTC to brief Rosnano officials about potential opportunities for collaboration, as well as cooperating on the planned visit of Rosnano Chairman Anatoliy Chubais to Washington, DC, and Texas in May 2009.

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